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UNCLAS MANILA 000434

SENSITIVE
SIPDIS

USDA/FAS/OCBD/SHEIKH
USDA/FAS/ONA/BERTSCH
USDA/FAS/OCRA/RADLER
STATE FOR EAP/MTS, EAP/EP
STATE PASS USTR/WEISEL/EHLERS

E.O. 12958: N/A
TAGS: [EAGR](#) [ECON](#) [ETRD](#) [RP](#)
SUBJECT: MINIMUM ACCESS VOLUMES ISSUE RESOLVED

REF: A) Manila 00249, B) 08 MANILA 00820

11. Summary: (SBU) Post has successfully convinced the Philippine Department of Agriculture not to unilaterally change its World Trade Organization (WTO) and 1998 US-Philippine Memorandum of Understanding (MOU) commitments on minimum access volumes (MAV) rules for imported agricultural products. In response, the U.S. National Pork Producers Council (NPPC) has withdrawn its petition to USTR to cancel trade preferences for the Philippines, and along with other U.S. stakeholders has expressed satisfaction with the resolution. End summary.

Serious Trade Issue Now Eliminated

12. (SBU) On February 24, 2009, Philippine Department of Agriculture Undersecretary Segfredo Serrano hand-delivered to our Agricultural Counselor and Agricultural Attache a letter from Department of Agriculture Secretary Arthur Yap to U.S. Department of Agriculture (USDA) Secretary Tom Vilsack (full text of letter in para 7) in which Secretary Yap conveyed a clear assurance that the current minimum access volumes (MAV) (i.e., tariff rate quota, TRQ) regime will be maintained with no changes initiated by the Department of Agriculture. Serrano began the meeting by saying that Secretary Yap would like to start with "a clean slate" with the new U.S. administration and that hopefully this letter would put to rest the concerns of the U.S. government and stakeholders about the MAV regime. He also reiterated Secretary Yap's invitation to Secretary Vilsack to visit the Philippines and lead the U.S. agribusiness trade and investment mission on May 11-14, 2009 (reported ref A).

U.S. Stakeholder Ends Retaliation Threat

13. (SBU) On February 26, 2009, Post received confirmation that the National Pork Producers Council (NPPC) had officially withdrawn its petition for a review of the Generalized System of Preferences (GSP) status of the Philippines after learning of Secretary Yap's decision on the MAV issue. A statement on the NPPC website (www.nppc.org) publicly announced that it had withdrawn the GSP petition.

Background to a Crisis Averted

14. (SBU) In October 2007, the Philippine Department of Agriculture announced plans to change its MAV regime, ostensibly to improve transparency, widen participation, minimize unused quota, and eliminate the indefinite holding of quota. Post quickly recognized the imperative that any changes to the MAV regime must be in accordance with WTO principles and adhere to commitments under a 1998 Memorandum of Understanding on the implementation of MAV between the U.S. and the Philippines (see ref B). Over the past

year, Post has engaged heavily on this issue and arranged numerous discussions with the Department of Agriculture and as well as with the Department of Trade and Industry. These discussions have included digital video conferences between Philippine and U.S. officials and a face-to-face meeting in Washington, DC. Despite these discussions, local importers of U.S. agricultural products experienced long delays in obtaining quota licenses throughout 2008 due to the uncertainty over pending changes to the MAV regime. U.S. pork and poultry products were most affected. In response to these delays the NPPC filed a petition with USTR for a country practices review, which, if accepted, could have removed the Philippines from the U.S. GSP and dealt a serious blow to Philippine exports to the United States.

15. (SBU) In his first letter dated January 6, 2009, Secretary Yap wrote to the USDA Secretary assuring him that no changes would be implemented until the concerns of trading partners and stakeholders were addressed. On February 3, Secretary Yap published in the local media MAV allocations for 2009 that are consistent with the existing MAV regime.

A Satisfying Result

16. (SBU) The president of the Philippine Meat Importers & Traders Association informed Post's Foreign Agriculture Service that local importers and U.S. meat and poultry exporters were satisfied with the measures implemented by Secretary Yap and do not foresee any serious trade disruptions for the remainder of the year. Moreover, the Association President stated that he firmly believes that new MAV regulations will not be imposed next year, due to Philippine elections in 2010 and ASEAN free trade agreements coming into effect. Regional representatives of U.S. Meat Export Federation and U.S.A. Poultry and Egg Export Council were likewise pleased with the outcome and believe that trade can now flow smoothly again.

17. (SBU) Text of the Yap-Vilsack letter follows.

Begin text:

24 February 2009
Hon. Tom Vilsack
United States Department of Agriculture
Washington DC 20250

Dear Secretary Vilsack:

Allow me to congratulate you on your confirmation to the helm of the USDA, and to extend my best wishes on your tenure.

I am writing with regard to the Minimum Access Volume (MAV) or TRQ system, in which the Philippines was looking at changing certain provisions to assure greater transparency in the availment of in-quota volumes for commodity importation. Our objective does not contemplate amending the volume of imports but the process of allocation which we intend to democratize and make more efficient. Since last year, the proposed changes to the MAV rules have been the topic of bilateral discussions between the U.S. and Philippine authorities. However, the United States wants some time to have provisions clarified.

We recognize the fact that pursuing the changes in the MAV system at this time may not provide the best conditions to be able to obtain the desired result of the changes, considering the clarification the US wants and the current global economic crisis. We are likewise mindful that the new U.S. administration is still in the phasing-in process and, as a working partner, we should try to remove possible controversies. I would also like to take this opportunity to inform you that we appreciate the efforts made by the U.S. Embassy representatives here in Manila, especially those from the USDA-FAS, and in Washington DC, in trying to understand our proposals as well as in explaining the U.S. positions, with a view to coming up with options in resolving the MAV and related issues.

In this regard, I am pleased to inform that in order to resolve the MAV issue, I am ready to provide assurance that while I am the Secretary of Agriculture, the MAV rules and regulations under DA Administrative Order (AO) no. 8, series of 1997 as amended by DA AO

no.1, series of 1998, and as agreed under the 1998 RP-US MOU, will remain and that no changes will be initiated by DA in the MAV system.

I hope that this would put to rest the concerns raised by the U.S. authorities and stakeholders, particularly the pork and poultry industries. I also look forward to working with you towards strengthening the US-Philippine economic relationship, especially on agriculture-related endeavours.

Very truly yours,
Atty. Arthur C. Yap
Secretary

Cc. Hon. Peter B. Favila, Philippine Department of
Trade and Industry
Hon. Peter F. Allgeier, U.S. Trade Representative
Hon. Kristie A. Kenney, U.S. Ambassador to the
Philippines

End text.

KENNEY